

Message Text

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12

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UNCLAS DUBLIN 1321

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EC EI

SUBJ: IRISH GREEN POUND AND FOOD SUBSIDIES

1. IRISH FARM INTERESTS ARE REASONABLY CONTENT WITH THE 5 PERCENT DEVALUATION IN THE VALUE OF THE IRISH GREEN POUND AGREED TO BY THE EC AGRICULTURAL MINISTERS AT THEIR MEETING IN BRUSSELS JULY 22, ALTHOUGH THEY HAD HOPED FOR A 10 PERCENT DEVALUATION. ACCORDING TO IRISH GOVERNMENT ESTIMATES, THE DEVALUATION SHOULD PROVIDE ADDITIONAL FARM INCOME IN THE AMOUNT OF ABOUT 16 MILLION POUNDS. BEEF, PIGMEAT, LIVE CATTLE AND DAIRY PRODUCT EXPORTS TO NON-STERLING EC COUNTRIES WILL PRIMARILY BENEFIT. IRISH BEEF EXPORTS TO THE U.S. ARE NOT AFFECTED.

2. WHILE THE IRISH GOVERNMENT IS PLEASED WITH THE INCREASED INCOME ACCRUING TO THE NATIONAL ECONOMY AS A RESULT OF THE DEVALUATION, IT IS NEVERTHELESS VERY CONCERNED OVER THE INCREASE IN THE COST OF LIVING THAT WILL RESULT. ABOUT 0.5 PERCENT WILL PROBABLY BE ADDED TO THE CONSUMER PRICE INDEX, SOME ITEMS WILL BE AFFECTED MORE THAN OTHERS. FOR EXAMPLE, THE PRICE OF BUTTER WILL INCREASE BY ABOUT 2 1/2 PENCE PER

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3. INFLATION IN IRELAND IS CURRENTLY RUNNING AT A 25 PERCENT ANNUAL RATE. THE GOVERNMENT HAS A DECLARED POLICY OF BRINGING ABOUT A 4 PERCENT DROP IN THE CONSUMER PRICE INDEX AND IT IS THEREFORE UNDER PRESSURE TO OFFSET THE EFFECTS OF THE DEVALUATION. THE GOVERNMENT HAS ANNOUNCED THAT IT WILL INTRODUCE ADDITIONAL FOOD SUBSIDIES THAT WILL KEEP THE CONSUMER PRICE INDEX WITHIN THE TARGETED LIMITS. THE EXACT AMOUNTS OF THE SUBSIDIES ARE TO BE ANNOUNCED IN THE NEAR FUTURE. THE GOVERNMENT ALSO INTENDS TO RECOVER FROM THE AGRICULTURAL SECTOR ABOUT 2.5 MILLION POUNDS (THE ESTIMATED COST OF THE SUBSIDIES) FROM THE 16 MILLION POUNDS IT STANDS TO GAIN FROM DEVALUATION. THE MEANS OF ACHIEVING THIS HAVE NOT YET BEEN ANNOUNCED.

REND AHL

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